

# LAWRENCE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2010

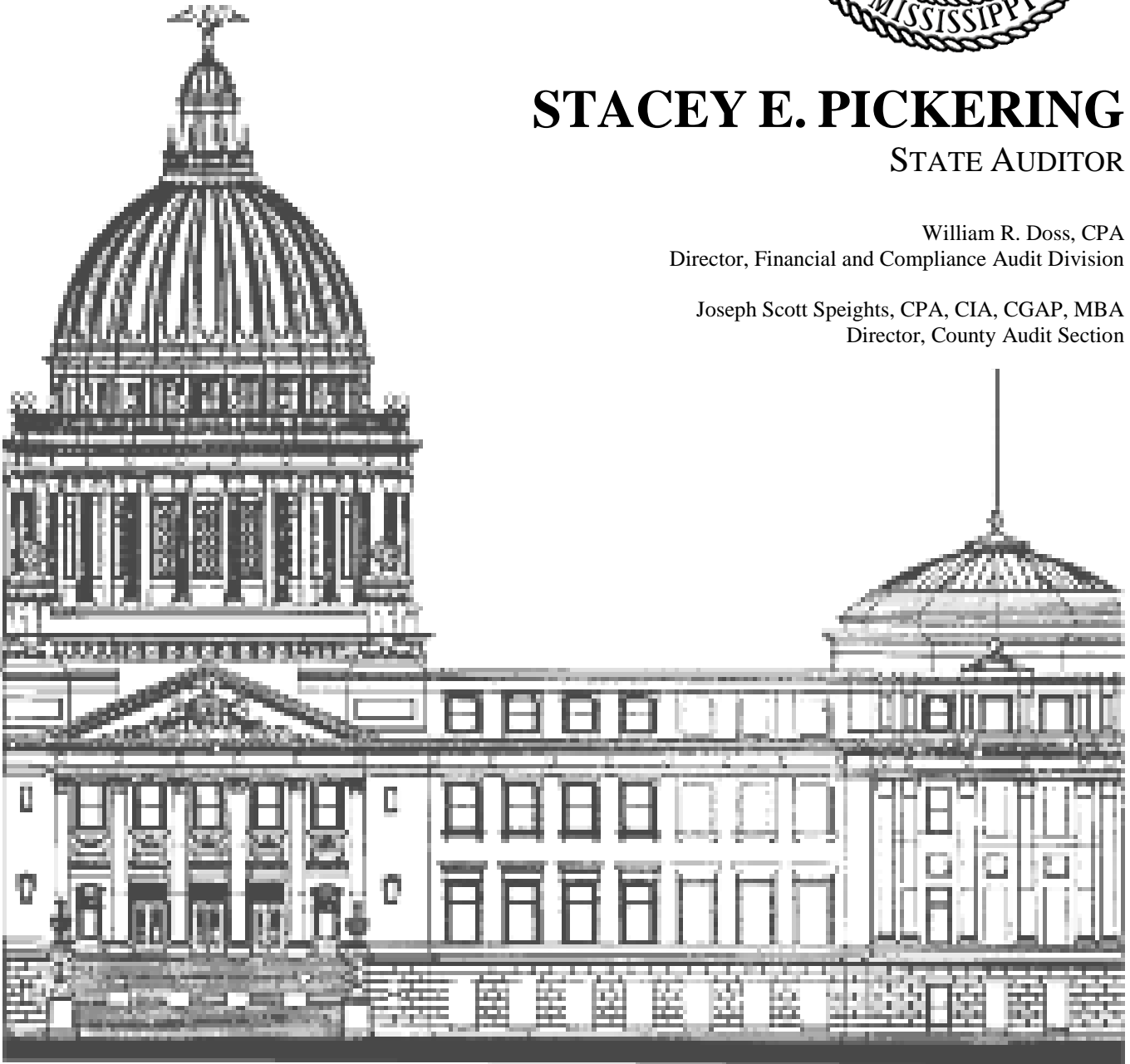


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

July 30, 2012

Members of the Board of Supervisors  
Lawrence County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Lawrence County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Lawrence County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Lawrence County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering  
State Auditor



LAWRENCE COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION .....	1
INDEPENDENT AUDITOR’S REPORT .....	3
FINANCIAL STATEMENTS .....	5
Statement of Net Assets .....	7
Statement of Activities .....	8
Balance Sheet – Governmental Funds .....	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	10
Statement of Revenues, Expenditures and Changes in Fund Balances -Governmental Funds .....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	12
Statement of Fiduciary Assets and Liabilities .....	13
Notes to the Financial Statements .....	15
REQUIRED SUPPLEMENTARY INFORMATION .....	27
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) - General Fund.....	28
Notes to the Required Supplemental Information .....	29
SUPPLEMENTAL INFORMATION .....	31
Schedule of Expenditures of Federal Awards.....	32
Reconciliation of Operating Costs of Solid Waste .....	33
SPECIAL REPORTS.....	35
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	37
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	39
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	41
Limited Internal Control and Compliance Review Management Report .....	47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	49





LAWRENCE COUNTY

FINANCIAL SECTION

LAWRENCE COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Lawrence County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Lawrence County, Mississippi, as of September 30, 2010, or the changes in financial position thereof for the year then ended.

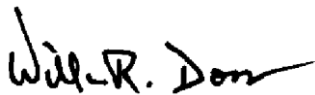
In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County, Mississippi, as of September 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2012, on our consideration of Lawrence County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Lawrence County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lawrence County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Will R. Doss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

July 30, 2012

LAWRENCE COUNTY

FINANCIAL STATEMENTS

LAWRENCE COUNTY

(This page left blank intentionally.)

LAWRENCE COUNTY  
Statement of Net Assets  
September 30, 2010

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 6,386,139
Property tax receivable	4,686,000
Fines receivable (net of allowance for uncollectibles of \$667,275)	866,640
Deferred charges - bond issuance costs	30,333
Capital leases receivable	222,054
Intergovernmental receivables	99,918
Capital assets:	
Land	429,166
Other capital assets, net	40,989,814
Total Assets	53,710,064
LIABILITIES	
Claims payable	534,504
Intergovernmental payables	112,280
Accrued interest payable	5,502
Deferred revenue	4,705,618
Other payables	20,794
Long-term liabilities	
Due within one year:	
Capital debt	695,482
Non-capital debt	46,500
Due in more than one year:	
Capital debt	2,116,069
Non-capital debt	46,564
Total Liabilities	8,283,313
NET ASSETS	
Invested in capital assets, net of related debt	38,607,429
Restricted:	
Expendable:	
General government	250,185
Debt service	809,890
Public safety	423,314
Public works	1,614,332
Health and welfare	254,799
Culture and recreation	3,788
Economic development	1,282
Unemployment compensation	12,200
Capital projects	165,139
Unrestricted	3,284,393
Total Net Assets	\$ 45,426,751

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY  
Statement of Activities  
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,736,538	228,669	18,272		(2,489,597)
Public safety	1,620,413	196,212	102,847	256,739	(1,064,615)
Public works	3,423,474	17,741	479,019	629,666	(2,297,048)
Health and welfare	600,245		148,298		(451,947)
Culture and recreation	9,906				(9,906)
Conservation of natural resources	52,320				(52,320)
Economic development and assistance	302,442		160,100		(142,342)
Interest on long-term debt	85,395				(85,395)
Total Governmental Activities	\$ 8,830,733	442,622	908,536	886,405	(6,593,170)
General revenues:					
Property taxes				\$	5,289,665
Road & bridge privilege taxes					187,628
Grants and contributions not restricted to specific programs					488,893
Unrestricted interest income					95,936
Miscellaneous					271,994
Total General Revenues					6,334,116
Changes in Net Assets					(259,054)
Net Assets - Beginning					45,685,805
Net Assets - Ending				\$	45,426,751

The notes to the financial statements are an integral part of this statement.



LAWRENCE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2010

Exhibit 3

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Hospital Sprinkler</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Construction Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash	\$ 1,821,475	927,612	3,637,052	6,386,139
Property tax receivable	2,974,000		1,712,000	4,686,000
Fines receivable (net of allowance for uncollectibles of \$667,275)	866,640			866,640
Capital lease receivable			222,054	222,054
Intergovernmental receivables	90,298		9,620	99,918
Due from other funds	754,408		33,709	788,117
Advances to other funds	9,500			9,500
Total Assets	<u>\$ 6,516,321</u>	<u>927,612</u>	<u>5,614,435</u>	<u>13,058,368</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 230,850	32,500	271,154	534,504
Intergovernmental payables	106,200			106,200
Due to other funds	39,789	754,408		794,197
Advances from other funds			9,500	9,500
Deferred revenue	3,840,640		1,934,054	5,774,694
Other payables	20,794			20,794
Total Liabilities	<u>4,238,273</u>	<u>786,908</u>	<u>2,214,708</u>	<u>7,239,889</u>
Fund balances:				
Reserved for:				
Debt service			815,392	815,392
Advances	9,500			9,500
Unemployment compensation			12,200	12,200
Unreserved - undesignated, reported in:				
General Fund	2,268,548			2,268,548
Special Revenue Funds			2,547,186	2,547,186
Capital Project Funds		140,704	24,949	165,653
Total Fund Balances	<u>2,278,048</u>	<u>140,704</u>	<u>3,399,727</u>	<u>5,818,479</u>
Total Liabilities and Fund Balances	<u>\$ 6,516,321</u>	<u>927,612</u>	<u>5,614,435</u>	<u>13,058,368</u>

The notes to the financial statements are an integral part of this statement.

## LAWRENCE COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,818,479
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$73,821,472.	41,418,980
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	866,640
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,904,615)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(5,502)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	202,436
Deferred charges - bond issuance costs	<u>30,333</u>
Total Net Assets - Governmental Activities	\$ <u><u>45,426,751</u></u>

The notes to the financial statements are an integral part of this statement.

## LAWRENCE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2010

	<u>Major Funds</u>		Other	Total
	General	Hospital Sprinkler	Governmental	Governmental
	Fund	Construction Fund	Funds	Funds
<b>REVENUES</b>				
Property taxes	\$ 3,387,209		1,902,456	5,289,665
Road and bridge privilege taxes			187,628	187,628
Licenses, commissions and other revenue	86,908		5,488	92,396
Fines and forfeitures	158,778		6,384	165,162
Intergovernmental revenues	654,445		1,629,389	2,283,834
Charges for services	53,599		147,322	200,921
Interest income	67,175		28,761	95,936
Miscellaneous revenues	80,508		191,486	271,994
Total Revenues	<u>4,488,622</u>	<u>0</u>	<u>4,098,914</u>	<u>8,587,536</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,619,403		45,767	2,665,170
Public safety	1,676,636		749,401	2,426,037
Public works			3,473,417	3,473,417
Health and welfare	228,628	754,408	245,337	1,228,373
Culture and recreation			7,463	7,463
Conservation of natural resources	52,320			52,320
Economic development and assistance	27,360		275,082	302,442
Debt service:				
Principal	65,949		618,020	683,969
Interest	6,651		78,207	84,858
Bond issue costs		32,500		32,500
Total Expenditures	<u>4,676,947</u>	<u>786,908</u>	<u>5,492,694</u>	<u>10,956,549</u>
Excess of Revenues over (under) Expenditures	<u>(188,325)</u>	<u>(786,908)</u>	<u>(1,393,780)</u>	<u>(2,369,013)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	328,099	900,000	242,022	1,470,121
Proceeds from sale of capital assets			36,056	36,056
Premiums on bonds issued		27,612		27,612
Transfers in	161,674		397,082	558,756
Transfers out	(391,693)		(167,063)	(558,756)
Lease principal payments			80,741	80,741
Total Other Financing Sources and Uses	<u>98,080</u>	<u>927,612</u>	<u>588,838</u>	<u>1,614,530</u>
Net Changes in Fund Balances	(90,245)	140,704	(804,942)	(754,483)
Fund Balances - Beginning	<u>2,368,293</u>		<u>4,204,669</u>	<u>6,572,962</u>
Fund Balances - Ending	<u>\$ 2,278,048</u>	<u>140,704</u>	<u>3,399,727</u>	<u>5,818,479</u>

The notes to the financial statements are an integral part of this statement.

## LAWRENCE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (754,483)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,437,906 exceeded depreciation of \$1,010,792 in the current period.	1,427,114
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$15,063 and the proceeds from the sale of \$36,056 in the current period.	(51,119)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(15,857)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$1,470,121 exceeded debt repayments of \$683,969.	(786,152)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The increase in accrued interest payable	(2,378)
The amortization of:	
Deferred charges - bond issuance costs	(2,167)
Premiums on bonds	1,841
Under the modified accrual basis of accounting used in the Governmental Funds, costs associated with the issuance of bonds are reported as expenditures. However in the Statement of Activities, the costs of issuing bonds are amortized over the life of the new bond issue.	32,500
Under the modified accrual basis of accounting used in the Governmental Funds, amounts received for bond premiums are reported as other financing sources. However in the Statement of Activities, these bond premiums are amortized over the life of the new bond issue.	(27,612)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	(80,741)
Change in Net Assets of Governmental Activities	\$ <u>(259,054)</u>

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2010

Exhibit 5

		Agency Funds
ASSETS		
Cash	\$	453,672
Due from other funds		6,080
Total Assets	\$	<u>459,752</u>
LIABILITIES		
Amounts held in custody for others	\$	303,246
Intergovernmental payables		156,506
Total Liabilities	\$	<u>459,752</u>

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY

(This page left blank intentionally.)

## LAWRENCE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Lawrence County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lawrence County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Lawrence County Economic Development District
- Lawrence County Human Resource Agency

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

##### B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures, which provide a detailed level of financial information.

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

## LAWRENCE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Hospital Sprinkler Construction Fund - This fund is used to account for the proceeds of general obligation bonds for the installation of a sprinkler system at the hospital, a county owned building.

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.



## LAWRENCE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

## LAWRENCE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Lawrence County elected to report major general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

#### I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

#### J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

## LAWRENCE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

#### K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

#### (2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$6,839,811, and the bank balance was \$6,874,331. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

LAWRENCE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Hospital Sprinkler Construction	\$ 754,408
Other Governmental Funds	General	33,709
Agency Funds	General	6,080
Total		\$ 794,197

The receivables represent the tax revenue collected but not settled until October, 2010 and short-term loans. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 9,500

The receivable represents a cash shortage in the prior years in the Special Revenue Funds.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 161,674
Other Governmental Funds	General Fund	391,693
Other Governmental Funds	Other Governmental Funds	5,389
Total		\$ 558,756

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 47,651
Reimbursement for food stamps/welfare	1,530
State aid road reimbursement	9,620
Emergency management reimbursement	4,417
MDOT reimbursement	36,700
Total Governmental Activities	\$ 99,918

LAWRENCE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

**Governmental activities:**

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 429,166				429,166
Construction in progress	43,784	710,624		(754,408)	
Total non-depreciable capital assets	472,950	710,624	0	(754,408)	429,166
<u>Depreciable capital assets:</u>					
Infrastructure	98,001,106	146,331			98,147,437
Buildings	7,940,626				7,940,626
Improvements other than buildings				754,408	754,408
Mobile equipment	4,725,969	656,850	288,199	163,887	5,258,507
Furniture and equipment	446,289	559,906	65,377	55,027	995,845
Leased property under capital leases	1,569,182	364,195		(218,914)	1,714,463
Total depreciable capital assets	112,683,172	1,727,282	353,576	754,408	114,811,286
<u>Less accumulated depreciation for:</u>					
Infrastructure	66,195,394	160,553			66,355,947
Buildings	2,605,702	155,826			2,761,528
Improvements other than buildings		30,177			30,177
Mobile equipment	3,478,733	368,638	243,618	56,326	3,660,079
Furniture and equipment	315,698	118,067	58,839	54,478	429,404
Leased property under capital leases	517,610	177,531		(110,804)	584,337
Total accumulated depreciation	73,113,137	1,010,792	302,457	0	73,821,472
Total depreciable capital assets, net	39,570,035	716,490	51,119	754,408	40,989,814
Governmental activities capital assets, net	\$ 40,042,985	1,427,114	51,119	0	41,418,980

\* Adjustments are the reclassification of paid out capital leases from leased property under capital leases to mobile equipment, the reclassification of mobile equipment and furniture and equipment, and the reclassification of completed construction in progress to improvements.

# LAWRENCE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 69,201
Public safety	413,466
Public works	443,186
Health and welfare	82,496
Culture and recreation	<u>2,443</u>
Total governmental activities depreciation expense	<u>\$ 1,010,792</u>

### (6) Claims and Judgments.

#### Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (7) Capital Leases.

#### As Lessor:

The county leases the following property with varying terms and options as of September 30, 2010:

<u>Class of Property</u>	<u>Amount</u>
Buildings	\$ <u>900,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2010, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 78,513	7,987
2012	34,578	6,089
2013	36,586	3,775
2014	38,712	1,610
2015	<u>14,047</u>	<u>157</u>
Total	<u>\$ 202,436</u>	<u>19,618</u>

LAWRENCE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

Class of Property	Governmental Activities
Mobile equipment	\$ 1,714,463
Less: Accumulated depreciation	<u>584,337</u>
Leased Property Under Capital Leases	<u>\$ 1,130,126</u>

The following is a schedule by years of the total payments due as of September 30, 2010:

(8) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Series 1998 jail bond	\$ 395,000	4.30/4.75%	04/2013
Series 1998A jail bonds	195,000	4.90%	07/2013
Series 2010 hospital sprinkler system bonds	<u>900,000</u>	3.25/4.5%	09/2025
Total General Obligation Bonds	<u>\$ 1,490,000</u>		
B. Capital Leases:			
Excavator	\$ 38,879	3.41%	10/2010
Kubota tractor with wood mower	6,206	3.96%	04/2011
Kubota M105 tractor	6,566	4.04%	08/2011
New Holland tractor with Tiger mower	1,213	4.07%	10/2010
Kubota tractor with boom mower	8,079	3.96%	04/2011
Caterpillar 420D backhoe	5,025	3.79%	01/2011
Asphalt paver	11,396	4.25%	11/2010
Garbage truck	13,298	3.99%	06/2011
Garbage truck - compactor	36,431	4.13%	08/2012
Sheriff's car	7,783	3.77%	01/2012
Sheriff's car	4,290	3.41%	03/2011
Excavator	30,571	4.44%	11/2012
Excavator	25,366	3.85%	02/2013
Extendahoe	15,253	3.45%	05/2012
International garbage truck	29,604	3.24%	06/2013
(3) Kubota tractors	14,697	3.04%	07/2011
(2) Dump trucks	17,538	3.49%	08/2012
Caterpillar tractor	20,338	3.15%	08/2011
Superior broom	10,416	3.28%	11/2012
2010 Ford F150	23,265	3.15%	02/2014
(2) 2010 Dodge Chargers	43,409	3.15%	07/2013
John Deere 120D excavator	90,354	3.38%	12/2014
Superior sweeper	40,663	3.13%	05/2014
Zanetis Roadhog	69,518	3.23%	06/2015
Tanker	<u>18,931</u>	2.79%	07/2013
Total Capital Leases	<u>\$ 589,089</u>		

LAWRENCE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
CAP loan	\$ 154,513	2.00%	11/2017
CAP loan	156,210	5.66%	02/2015
Southern Pine loan	45,833	0.00%	08/2011
Hospital note - revenue note	93,064	4.95%	10/2011
District 2 fire truck loans	27,978	3.00%	02/2015
Road and bridge construction loan	60,000	3.87%	12/2010
District 2 fire truck loan	19,919	2.00%	12/2015
District 2 fire truck loans	99,805	3.00%	02/2020
District 3 fire truck loans	142,433	3.00%	03/2020
Total Other Loans	\$ <u>799,755</u>		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2011	\$ 230,000	65,323	237,395	26,081
2012	240,000	54,608	134,872	18,212
2013	260,000	43,385	91,698	12,520
2014	50,000	31,055	95,242	8,976
2015	50,000	28,805	67,980	5,653
2016 – 2020	295,000	109,570	172,568	9,472
2021 – 2025	<u>365,000</u>	<u>49,100</u>		
Total	\$ <u>1,490,000</u>	<u>381,846</u>	<u>799,755</u>	<u>80,914</u>

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to 1.05% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
<b>Governmental Activities:</b>						
General obligation bonds	\$ 770,000	900,000	180,000		1,490,000	230,000
Add:						
Premiums		27,612	1,841		25,771	
Capital leases	548,745	314,195	273,851		589,089	274,587
Other loans	<u>773,947</u>	<u>255,926</u>	<u>230,118</u>		<u>799,755</u>	<u>237,395</u>
Total	\$ <u>2,092,692</u>	<u>1,497,733</u>	<u>685,810</u>	<u>0</u>	<u>2,904,615</u>	<u>741,982</u>



## LAWRENCE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

(9) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(10) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Lawrence County Board of Supervisors appoints two of the 27 members of the college board of trustees. The county appropriated \$430,988 for maintenance and support of the college in fiscal year 2010.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$27,360 for support of the district in fiscal year 2010.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$22,500 for support in fiscal year 2010.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the county's Board of Supervisors. The members provide only modest financial support for the entity.

(11) Defined Benefit Pension Plan.

Plan Description. Lawrence County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$296,406, \$281,452 and \$253,262, respectively, equal to the required contributions for each year.

# LAWRENCE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (12) Subsequent Events.

Subsequent to September 30, 2010, the county issued the following debt obligations:

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
10/18/2010	2.97%	\$	39,000	Capital lease	Ad valorem taxes
10/18/2010	3.50%		500,000	Other loan	Ad valorem taxes
12/08/2010	3.21%		88,291	Capital lease	Ad valorem taxes
01/18/2012	2.49%		23,000	Capital lease	Ad valorem taxes
03/20/2012	2.39%		24,076	Capital lease	Ad valorem taxes
06/26/2012	1.97%		44,800	Capital lease	Ad valorem taxes

LAWRENCE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAWRENCE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,252,000	3,384,863	3,384,863	
Licenses, commissions and other revenue	95,000	88,054	88,054	
Fines and forfeitures	110,000	160,590	160,590	
Intergovernmental revenues	555,000	905,790	905,790	
Charges for services	40,000	30,731	30,731	
Interest income	31,200	67,175	67,175	
Miscellaneous revenues	90,000	81,248	81,248	
Total Revenues	<u>4,173,200</u>	<u>4,718,451</u>	<u>4,718,451</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,184,517	3,408,942	3,408,942	
Public safety	1,379,372	1,740,596	1,740,596	
Health and welfare	163,900	229,643	229,643	
Culture and recreation	300,000	227,892	227,892	
Conservation of natural resources	54,556	51,752	51,752	
Economic development and assistance	146,860	142,360	142,360	
Debt service:				
Principal		65,949	65,949	
Interest		6,651	6,651	
Total Expenditures	<u>4,229,205</u>	<u>5,873,785</u>	<u>5,873,785</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(56,005)</u>	<u>(1,155,334)</u>	<u>(1,155,334)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	245,000	638,619	638,619	
Other financing uses	(186,000)	(419,470)	(419,470)	
Total Other Financing Sources and Uses	<u>59,000</u>	<u>219,149</u>	<u>219,149</u>	<u>0</u>
Net Change in Fund Balance	2,995	(936,185)	(936,185)	0
Fund Balances - Beginning	<u>1,502,385</u>	<u>2,594,598</u>	<u>2,594,598</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,505,380</u>	<u>1,658,413</u>	<u>1,658,413</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

## LAWRENCE COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2010

#### A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

#### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

#### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

		Governmental Fund Type
		General Fund
Budget (Cash Basis)	\$	(936,185)
Increase (Decrease)		
Net adjustments for revenue accruals		(378,675)
Net adjustments for expenditure accruals		433,507
Other reconciling items:		
Expenditures reclassified to receivable accounts		791,108
GAAP Basis	\$	<u>(90,245)</u>

LAWRENCE COUNTY

(This page left blank intentionally.)

LAWRENCE COUNTY

SUPPLEMENTAL INFORMATION

LAWRENCE COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Rural Business - Cooperative Service Rural business enterprise grants (Direct Award)	10.769	N/A	\$ <u>160,082</u>
U.S. Department of Agriculture - Natural Resources Conservation Services Emergency watershed protection program (Direct Award)	10.923	N/A	<u>2,000</u>
Total U.S. Department of Agriculture			<u>162,082</u>
U.S. Department of Commerce - National Telecommunications and Information Administration/Passed-through the Wireless Communication Commission Public safety interoperable communications grant program	11.555	07PS313	<u>82,369</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	1220-M08-SG-280-361	<u>111,965</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	2007-DJ-BX-0103	<u>38,674</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction*	20.205	MS-038-039(1)B	225,392
Highway planning and construction*	20.205	MS-038-039(1)BI	145,319
Highway planning and construction*	20.205	BR NBIS 071 B(39)	<u>25,200</u>
Total U.S. Department of Transportation			<u>395,911</u>
U.S. Department of Health and Human Services - Centers for Disease Control and Prevention/Passed-through the Mississippi State Department of Health Centers for disease control and prevention_investigations and technical assistance	93.283	3U50C1423720-05S3	<u>14,625</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant*	97.039	DR-1604-MS-0173	<u>107,655</u>
Total Expenditures of Federal Awards			\$ <u><u>913,281</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

\* Denotes major federal award program



LAWRENCE COUNTY  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2010

Operating Expenditures, Cash Basis:

Salaries	\$	233,072
Expendable Commodities:		
Gasoline and petroleum products		16,485
Repair parts		11,214
Contractual services		125,973
Supplies		<u>11,043</u>

Solid Waste Cash Basis Operating Expenditures		397,787
---	--	---------

Full Cost Expenses:

Depreciation on equipment	61,092
Depreciation on building	72
Interest on solid waste debt	6,080
Other	<u>1,480</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>466,511</u></u>
--	----	-----------------------

LAWRENCE COUNTY

(This page left blank intentionally.)

## LAWRENCE COUNTY

### SPECIAL REPORTS

LAWRENCE COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Lawrence County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated July 30, 2012. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lawrence County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 10-1 to be a material weakness.

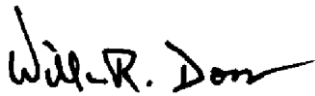
A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 10-2 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawrence County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lawrence County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Lawrence County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

July 30, 2012



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors  
Lawrence County, Mississippi

Compliance

We have audited the compliance of Lawrence County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. Lawrence County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lawrence County, Mississippi's management. Our responsibility is to express an opinion on Lawrence County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lawrence County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lawrence County, Mississippi's compliance with those requirements.

In our opinion, Lawrence County, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

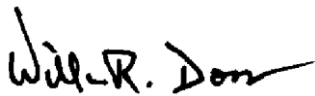
Internal Control Over Compliance

The management of Lawrence County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lawrence County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in a county's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

July 30, 2012





**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Lawrence County, Mississippi

We have examined Lawrence County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Lawrence County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

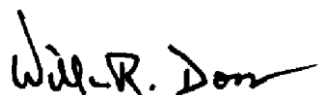
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Lawrence County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Lawrence County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Lawrence County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

July 30, 2012

LAWRENCE COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2010

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

LAWRENCE COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2010

Schedule 2

Our test results did not identify any emergency purchases.

LAWRENCE COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2010

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.

LAWRENCE COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Lawrence County, Mississippi

In planning and performing our audit of the financial statements of Lawrence County, Mississippi for the year ended September 30, 2010, we considered Lawrence County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lawrence County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 30, 2012, on the financial statements of Lawrence County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss".

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

July 30, 2012

LAWRENCE COUNTY

(This page left blank intentionally.)



LAWRENCE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAWRENCE COUNTY

(This page left blank intentionally.)

LAWRENCE COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: |             |
|    | Governmental activities                                      | Unqualified |
|    | Aggregate discretely presented component units               | Adverse     |
|    | General Fund   | Unqualified |
|    | Hospital Sprinkler Construction Fund                         | Unqualified |
|    | Aggregate remaining fund information                         | Unqualified |
| 2. | Internal control over financial reporting:                   |             |
|    | a. Material weakness identified?                             | Yes         |
|    | b. Significant deficiency identified?                        | Yes         |
| 3. | Noncompliance material to the financial statements noted?    | No          |

***Federal Awards:***

- |     |   |               |
|-----|---|---------------|
| 4.  | Internal control over major programs:   |               |
|     | a. Material weaknesses identified?  | No            |
|     | b. Significant deficiencies identified?   | None Reported |
| 5.  | Type of auditor's report issued on compliance for major federal programs:   | Unqualified   |
| 6.  | Any audit findings disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133?  | No            |
| 7.  | Federal programs identified as major programs:  |               |
|     | a. Highway planning and construction, CFDA # 20.205   |               |
|     | b. Hazard mitigation grant, CFDA # 97.039   |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?  | No            |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No            |

## LAWRENCE COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

#### Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 10-1. The County should include the financial data for its discrete component units in its financial statements.

#### Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior three years' audit reports, the financial statements do not include the financial data for the county's component units. The failure to properly follow general accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

#### Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for inclusion in the county's financial statements.

#### Board of Supervisors' Response

The cost of providing this data is not feasible at this time.

Circuit Clerk.

Significant Deficiency

- 10-2. Controls over the Circuit Clerk's cash journal should be strengthened.

#### Finding

An effective system of internal control should include maintaining cash journals and reconciling the bank statements to the cash journals. As reported in the prior two years' audit reports, the fee account bank statement was not reconciled to the fee account cash journal. A cash balance was not being maintained in the fee account cash journal. Failure to reconcile the fee account bank statement to the fee account cash journal could result in the loss of public funds.

#### Recommendation

The Circuit Clerk should ensure that a cash balance is maintained in the fee account cash journal and that the fee account bank statement is reconciled to the fee account cash journal.

#### Circuit Clerk's Response

I will comply.

#### Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.